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America's Offshore Energy Resources: Creating Jobs, Securing America, and Lowering Prices

Witnesses

Cory Kief

Director of Business Development, Crosby Tugs, LLC

Chett Chiasson

Executive Director, Greater Lafourche Port Commission

Brian Kroll

Senior Economist, Virginia Economic Development Partnership

Bob Mitchell

Chief Executive Officer, Atlantic Wind Connection

Committee Members

Doug Lamborn (R-CO), Subcommittee Chairman

Doc Hastings (R-WA), Full Committee Chairman

Rush Holt (D-NJ), Subcommittee Ranking Member

Rob Wittman (R-VA)

Steven Horsford (D-NV)

Louie Gohmert (R-TX)

Jared Huffman (D-CA)

Jeff Duncan (R-SC)

Alan Lowenthal (D-CA)

Kevin Cramer (R-ND)

Matthew Cartwright (D-PA)

Jon Runyan (R-NJ)

Joe Garcia (D-FL)

John Fleming (R-LA)

Peter DeFazio (D-OR)

On March 5, 2013, the House Committee on Natural Resources Subcommittee on Energy and Mineral Resources Oversight held a hearing to receive testimony assessing America's offshore oil, gas, and wind energy resources. The hearing discussion focused primarily on the potential economic benefits of offshore energy development.

In his opening statement, Subcommittee Chairman Doug Lamborn (R-CO) cited a study by the Institute for Energy Research that found that opening currently closed areas onshore and offshore to oil and gas development could generate 552,000 jobs within seven years and another two million per year for 30 years. The report also projected an increase in GDP of \$14.4 trillion, in federal tax revenue of \$2.7 trillion, and in state and local tax revenues of \$1.1 trillion over the next 37 years. He discussed benefits of offshore energy development such as economic growth in communities throughout the nation, job creation, and possible lowering of energy prices. Lamborn concluded stating that Congress "cannot stand by as energy production on state and private lands carries the day while production on federal lands withers – this is especially true of our nation's Outer Continental Shelf – where the Administration has left 85 percent closed for the next half decade."

Ranking Member Rush Holt (D-NJ) argued in his opening statement that "offshore wind...is the new frontier in energy production," noting that the nation installed over 13,000 megawatts (MW) of wind capacity in 2012, "more than any other generating source, including natural gas." He outlined improvements in oil and gas development including the 20 year high in domestic oil production and record levels of domestic gas production. He noted that the U.S. is projected to surpass Russia and Saudi Arabia in oil production in three to four years, 2012 oil import levels were the lowest in 20 years, and foreign oil dependence is down to 40 percent. He stated, "Even with geology dictating that the vast majority of shale oil development is happening on private lands, production on federal lands is also higher today than at the end of the previous administration" and 2012 saw more offshore oil produced than 2008. Holt expressed concern that the sequester and Congress's inability to balance the budget could "threaten"

these offshore energy resources by “hamper[ing] the [Department of the Interior’s] ability to issue permits, to plan new projects, to conduct environmental reviews, and to lease new federal lands.”

Full Committee Chairman Doc Hastings also emphasized the booming production on state and private lands in his opening statement. He credited the “paralyzing web of bureaucratic red tape” for hindering development on federal lands as well as President Obama’s policies that “locked-up 85 percent of our offshore areas to new energy production.” Hastings cited a different report projecting that opening offshore areas to development would create 1.2 million jobs and increase GDP by \$8 trillion. He noted that “energy production on federal lands is the second highest source of revenue to the Treasury, bringing in an estimated \$16 billion in 2012” and questioned Obama’s policies in lieu of the sequestration, “budget crisis,” and debt. He stated, “If reducing the debt is a priority; if growing our economy is a priority; if creating new American jobs is a priority; and if lowering gasoline and energy prices is a priority -then we need to make increased American energy production a priority.”

Cory Kief, director of business development at Crosby Tugs LLC, testified on “how important offshore drilling, exploration, and production are to [Crosby Tugs], and how it supports our operations.” He stated that his company focuses on “shallow water rigs” and “the more rigs that are working, the better it is for us and our industry.” Additionally, his company assists in building infrastructure, such as pipelines and platforms. He discussed the far economic reach of oil and gas production as his company relies on supplies from other industries around the country. Kief stated, “Our industry is ready to help make this country more energy independent. Exploration, development, and production of our own resources are essential to achieve that objective and are vital to our economy.”

Executive Director of Greater Lafourche Port Commission Chett Chiasson discussed in his testimony “the importance of Port Fourchon to the offshore oil and gas industry; [its] contribution...to the national economy; and the importance of robust oil and gas lease sales in the Gulf of Mexico.” He noted that Port Fourchon serves as a transport point for 675 million barrels of domestic and imported crude oil and “plays a key roll (sic) in 18 percent of the nation’s oil supply.” He included a study in his testimony by Loren Scott, former Chair of the Louisiana State University Economics Department, which found “that more than \$63 billion in total value of oil and gas are associated with Port Fourchon.” Chiasson emphasized that “industry needs to have confidence that the investments made in domestic offshore energy production will not be overly impeded by governmental regulations, and that our Nation’s domestic energy policy will continue to sustain investment of all energy types.”

In his testimony, Brian Kroll, senior economist at Virginia Economic Development Partnership (VEDP), discussed how “electricity generated by offshore wind energy could benefit Virginia’s economy by creating new jobs and new tax revenues.” He divided establishment of VEDP’s wind farms offshore Virginia into two phases: phase I consists of building a 1,000 MW wind farm over five years and phase II involved installing additional wind farms over another five years. He calculated that VEDP’s wind farms “could support 4,250 direct jobs and 9,670 total jobs in Phase I and 3,920 direct jobs and 7,190 total jobs in Phase II.” Wind farms would offer “career-length jobs” and add \$9 billion to Virginia’s GDP and \$119 million in state tax revenue.

Bob Mitchell, chief executive officer at Atlantic Wind Connection, testified that “offshore wind can create tens of thousands of jobs and add over \$30 billion to the US economy...lower energy prices in the long-run...add diversity that is critical to a secure supply...[and] reduce congestion and improve reliability” in the electric system. He stated, “we have been pleased with the role that the federal government has taken to facilitate offshore wind” and highlighted the Department of Energy’s National Offshore Wind Strategy, the Department of the Interior’s Smart from the Start program, and the Investment Tax Credit for “offshore wind in the fiscal cliff legislation” as beneficial federal actions. Mitchell expressed concern over the potential impact of the sequester on “leasing and permitting, supply chain development, technology [research and development], and lowering costs” in the wind energy sector.

Lamborn began the question and answer section by discussing Chiasson’s statement that Port Fourchon is responsible for 18 percent of the nation’s oil supply. Chiasson talked about the challenges and delays the port faces during hurricanes and other natural disasters. He noted that opening other ports is “good for our national security and energy security.” He confirmed that opening additional outer continental shelf areas to development would relieve the “overdependence” on Port Fourchon. Kief confirmed that with expansion of offshore oil and gas development, he could create jobs in other areas.

Matthew Cartwright (D-PA) asked the witnesses to describe the potential impact of the sequester on their respective industries. Kroll stated that sequestration would “slow things down and it’s unfortunately an already slow moving process.” Mitchell agreed and added that “the states working together with the federal government can help accelerate” the process. Turning to oil, Cartwright referenced “500 exploration plans and development documents that are anticipated for review this year” and asked, “How would those delays in oil and gas development due to this sequester, impact your industries?” Kief responded that delays in permitting would result in delays in drilling which would have a “negative impact” on Crosby Tugs and similar businesses. Chiasson stated it would have an impact, but he was “not sure” how much given the already slow 12 to 18 month permitting process.

A discrepancy in statistics for oil and gas production trends on federal lands occurred toward the end of the question and answer period between John Fleming (R-LA) and Peter DeFazio (D-OR). Fleming stated that oil and gas production on federal lands and offshore is down 15 percent. While DeFazio cited statistics from the Energy Information Administration report Sales of Fossil Fuels produced from Federal and Indian Lands Fiscal Years 2003-2011 showing production of more barrels of oil from the outer continental shelf and Gulf of Mexico in 2012 than 2008.

Holt focused his questioning on wind energy and asked for an outline of the current status and potential for wind. Mitchell

responded that the wind industry is looking at machines that have evolved from producing 35 kilowatts of energy in 1991 to now planning for 6 MW machines. He anticipates that this will “drive down costs and make it more efficient to build” offshore wind farms. He noted that a wind farm with a capacity for 3000 MW would be the equivalent of removing the pollution generated by 1.5 million cars; it would also produce enough energy to power 1 million homes. Holt inquired about the permanent oil and gas tax subsidies and whether it was fair to have tax subsidies on renewables that must be renewed annually. Mitchell discussed the problem of the nation “picking winners and losers” in the renewables industry and the lack of a national energy policy. He advocated for taking a “long range view.”

Opening statements, witness testimonies, and an archived webcast of the hearing can be found on the House Committee on Natural Resources web site.

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